



# The Role of Residential Care Settings in Delivering Long-Term Services and Supports

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**Medicaid and CHIP Payment and Access Commission**

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# Overview

- Background
- Methodology
- Findings
- Future work
- Policy questions

# Home and Community-Based Services

- In recent years, states and the federal government have invested in home and community-based services (HCBS)
- HCBS includes:
  - Personal care attendants that travel to a beneficiary's home or apartment
  - Day services providers outside of the home
  - Residential care settings (RCSs) that integrate housing and HCBS
- In fiscal year 2013, national Medicaid expenditures for HCBS exceeded institutional care for the first time

# Residential Care Settings

- RCSs are community-based care settings for individuals who are unable to live completely independently
- Licensed by states using different definitions, and include both small group homes and large assisted living communities
- Vary in the services they provide and the populations they serve
  - Most common services are personal care
  - Fewer offer skilled nursing care
  - Some focus on serving specific populations

# Incentives for Institutionalization

- Despite progress in rebalancing, current policies create incentives for institutionalization when beneficiaries might be well served in a RCS
- Nursing facility services are a mandatory benefit, while HCBS are optional
  - Many states have waiting lists for HCBS waiver services
- Medicaid pays for room and board in institutions, but not for RCSs or private homes

# Methodology

- MACPAC contracted with RTI International to study Medicaid coverage and payment of services provided in RCSs, and policies that may affect beneficiaries' access to these settings
- RTI's work involved three tasks:
  - Compendium of Medicaid coverage and payment policies
  - Interviews with subject matter experts
  - Case studies of four states (Colorado, Florida, North Carolina, and Washington)

# Medicaid Coverage of Services Provided in RCSs

- States can use several Medicaid authorities to cover services in RCSs
  - 1915(c) HCBS waivers
  - 1115 research and demonstration waivers
  - State plan authorities
- States may use different authorities in order to target RCS coverage to specific populations

# Medicaid Payment for Services Provided in RCSs

- States use various payment methodologies to pay for services delivered in RCSs
  - Flat rates (18 states)
  - Tiered rates (16 states)
  - Case mix rates (6 states)
  - Cost-based rates (7 states)
  - Fee-for-service rates (10 states)
  - Negotiated rates (14 states)
- State payment rates vary considerably from each other and as a share of private pay rates



# Policies to Make Room and Board More Affordable

- States may not use Medicaid funds to pay for room and board in community-based settings, including RCSs, but can employ strategies to help make room and board more affordable
  - Providing additional Supplemental Security Income payments
  - Setting a combined rate
  - Limiting what RCSs can charge for room and board
  - Allowing family members to supplement room and board costs

# Policies and Trends Affecting RCSs: Payment Rates

- Stakeholders said low Medicaid payment rates, compared to private pay rates, discourage participation of RCSs in Medicaid
- Small RCSs are most affected by low Medicaid rates because they cannot use private payments to subsidize Medicaid payments
- Stakeholders said financial screening of applicants and discharge of residents who spend down to Medicaid eligibility is common

# **Policies and Trends Affecting RCSs: HCBS Rule Implementation**

- Rule defines requirements for HCBS providers to enable beneficiary independence and promote community integration
- States are reviewing HCBS settings, and identifying those that will receive heightened scrutiny from the Centers for Medicare & Medicaid Services (CMS)
- Stakeholders were most concerned about effects on small and rural RCSs and those co-located with nursing facilities

# Policies and Trends Affecting RCSs: Managed Care

- The number of states with managed long-term services and supports (MLTSS) programs continues to increase
- Effect of MLTSS adoption on beneficiaries' access to RCSs is uncertain
  - Contracting may be a challenge
  - Care coordination issues may arise

# Policies and Trends Affecting RCSs: Other Issues

- The Money Follows the Person (MFP) demonstration does not allow funds to be used to transition beneficiaries to settings with more than four residents
- Current CMS policy does not provide for retroactive payment for RCSs when eligibility determinations are delayed, as it does for institutional settings

# Future Work

- Current LTSS work relevant to RCSs
  - Analyses of HCBS claims data
  - Review of network adequacy provisions in state MLTSS programs
- Additional work based on Commissioner interest

# Policy Questions

- How will the HCBS rule affect RCS availability?
- How will MLTSS adoption affect RCSs?
- Should Medicaid policy promote use of these settings?



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